

Northern Pipeline Agency

2015-16

Report on Plans and Priorities

The Honourable Greg Rickford, M.P., P.C.
Minister of Natural Resources

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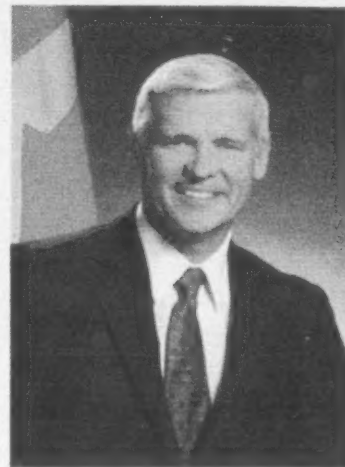
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Commissioner's Message

It is my pleasure to present the *2015-16 Report on Plans and Priorities* for the Northern Pipeline Agency (the Agency).

The Agency was established by the *Northern Pipeline Act* (Act) in 1978 to facilitate the planning and construction by Foothills Pipe Lines Limited (Foothills) of the Canadian portion of the Alaska Highway Gas Pipeline (AHGP) project and to maximize social and economic benefits from its construction and operation while minimizing any adverse effects. The pipeline was certificated in 1978 under the Act to transport Alaskan and possibly northern Canadian natural gas to southern markets in Canada and the United States as provided for by the *Canada-U.S. Agreement on Principles Applicable to a Northern Natural Gas Pipeline*. The southern portion of the pipeline was constructed in the early 1980s and presently transports Canadian gas to commercial markets. Foothills is now owned by TransCanada PipeLines Limited (TransCanada).



In 2008, TransCanada was selected by the State of Alaska to pursue a large-scale pipeline project that would transport natural gas in a large diameter buried pipeline from Prudhoe Bay, Alaska to Boundary Lake, Alberta. This required the Agency to be more active and initiate consultations with various project stakeholders; however, TransCanada notified the Agency in February 2013 that no further work is planned on the AHGP for now, and of their intentions to maintain the AHGP assets in Canada.

To align with the reduction in the AHGP project activities for the foreseeable future, the Agency will scale down its operations while continuing to fulfill Canada's obligations as set out in the Act. During this time, the Agency will also remain ready to respond to any incoming inquiries from other government agencies, Aboriginal groups and the public.

Bob Hamilton
Commissioner

Section I: Organizational Expenditure Overview

Organizational Profile

Appropriate Minister: The Honourable Greg Rickford, M.P., P.C.

Institutional Head: Bob Hamilton

Ministerial Portfolio: Natural Resources Canada

Enabling Legislative Instrument: *Northern Pipeline Act*¹ (R.S.C., 1977-78, c.20, s.1)

Year of Incorporation: 1978

Other: The operating costs of the Northern Pipeline Agency are fully recovered from the project proponent.

Organizational Context

Raison d'être

The Northern Pipeline Agency (NPA or the Agency) was established by the *Northern Pipeline Act* (Act) in 1978 and, in the context of the *1977 Agreement Between Canada and the United States of America on Principles Applicable to a Northern Natural Gas Pipeline* (the Agreement), has a mandate to carry out federal responsibilities in respect of the planning and construction of the Canadian portion of the Alaska Natural Gas Pipeline. The NPA plays a key role in supporting efficient and expeditious regulatory approval while ensuring environmental protection and social and economic benefits for Canada.

Responsibilities

Under the Act, the Agency can be called upon to undertake a number of activities:

- Facilitate the efficient and expeditious planning and construction of the Canadian portion of the Alaska Highway Gas pipeline (AHGP) project, taking into account local and regional interests, the interests of the residents; particularly of Aboriginal people, and recognizing the responsibilities of the Government of Canada and other governments, as appropriate, to ensure that any native claim

related to the land on which the pipeline is to be situated is dealt with in a just and equitable manner;

- Facilitate, in relation to the pipeline, consultation and coordination with the governments of the provinces, the Yukon Territory, and the Northwest Territories;
- Maximize the social and economic benefits from the construction and operation of the pipeline while at the same time minimizing any adverse effect on the social and environmental conditions of the areas most directly affected by the pipeline; and
- Advance national economic and energy interests and maximize related industrial benefits.

Phase I of the AHGP (the Prebuild) was constructed in 1981-82 for the initial purpose of transporting gas sourced from Western Canada to the United States (U.S.). The current flow capacity of the Prebuild is approximately 3.3 billion cubic feet per day (Bcf/d).

Phase II of the AHGP would link the Prebuild with U.S. natural gas reserves at Prudhoe Bay in Alaska. Unfavourable economic conditions from 1982 to the beginning of the last decade led to indefinite delays in the completion of the AHGP and a prolonged period of low activity for the Agency. In 2008, TransCanada PipeLines Limited (TransCanada), which now owns Foothills Pipe Lines Limited, was selected by the State of Alaska under the *Alaska Gasline Inducement Act* to receive up to \$500 (USD) million in State assistance to pursue an Alaska gas pipeline. This large-scale project would transport 4.5 to 5.9 Bcf/d of natural gas in a buried large diameter, high-pressure, 2,762 km long pipeline from Prudhoe Bay, Alaska to markets in Canada and the lower 48 states. Project costs were estimated at \$32-41 billion (2009 USD) by TransCanada.

On March 30, 2012, ExxonMobil, ConocoPhillips, BP and TransCanada announced that they were working together on a plan to assess liquefied natural gas (LNG) exports from south-central Alaska as an alternative to a natural gas pipeline through Canada. In February 2013, TransCanada notified the Agency that no further work is planned on the AHGP for now, and of their intentions to maintain the AHGP assets in Canada. On January 15, 2014, Alaskan Governor Parnell announced that the State had signed an agreement with the major North Slope gas producers and TransCanada outlining a roadmap for the proposed all-Alaska LNG export project studies to proceed. The State and TransCanada agreed to terminate the existing licensing and funding agreement they signed in 2008 and have signed a new memorandum of understanding setting out TransCanada's role in the midstream portion of the LNG export project.

To align with the reduction in the AHGP project activities, the Agency scaled down its operations in 2013-14 while continuing to fulfill Canada's obligations as set out in the Act. During this time of reduced activities for the foreseeable future, the Agency will remain prepared to meet its ongoing obligations and to respond to any incoming public inquiries. The future of the AHGP continues to rest with its proponents and the commercial marketplace.

Strategic Outcome(s) and Program Alignment Architecture

Strategic Outcome: The planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline Project is efficient and expeditious while ensuring environmental protection and social and economic benefits for Canadians.

Program: Oversee the planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline Project.

Internal Services

Through a Service Agreement, Natural Resources Canada provides administrative, financial, and information technology assistance to the NPA.

Organizational Priorities

Organizational Priorities

Priority	Type ¹	Strategic Outcome(s) and/or Program(s)
Effectively administer the Act and maintain the state of federal readiness to effectively respond to regulatory filings.	Ongoing	Oversee the planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline Project.

¹ Type is defined as follows: **previously committed to**—committed to in the first or second fiscal year prior to the subject year of the report; **ongoing**—committed to at least three fiscal years prior to the subject year of the report; and **new**—newly committed to in the reporting year of the RPP or DPR.

Description
Why is this priority? This is a priority because the Agency is mandated to meet the objectives of the Act and the Agreement. These primarily include the coordination and efficient and effective regulation of the project, protection of the environment, and maximization of benefits to Canada. The Agency must ensure that the pipeline is planned in accordance with the objects of the Act and meets modern environmental and regulatory standards, applicable if and when the project proceeds. What are the plans for meeting this priority? Although the project is not being actively pursued by TransCanada at this time, it is important for the Agency to continue to maintain its legislative and regulatory responsibilities. In the event that the proponent obtains commercial support for the project, the Agency must be prepared to deliver a comprehensive and integrated approach to the oversight of the project within Canada.

Risk Analysis

Key Risks

Risk	Risk Response Strategy	Link to Program Alignment Architecture
The Agency needs to be able to manage its existing core responsibilities and be in a position to adjust should the proponent receive a clear positive response from the marketplace, and this project is resumed.	The Agency will continue to maintain a minimum core team to fulfil existing responsibilities until such time as TransCanada resumes the project or that Agency actions or decisions are needed.	Oversee the planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline Project.

The challenge before the Agency is to plan for an efficient and effective regulatory review of updated environmental, socio-economic and technical information which takes into account changes since the Act came into force and the pipeline was certificated in the late 1970s. For example, some of the changes in Yukon include new environmental legislation, devolution of some federal responsibilities, and settlement of most of the Aboriginal claims along the pipeline route. Failure to make timely preparations could jeopardize the Government of Canada's performance of its responsibilities under the Act and Agreement.

Planned Expenditures

Budgetary Financial Resources (dollars)

2015-16 Main Estimates	2015-16 Planned Spending	2016-17 Planned Spending	2017-18 Planned Spending
\$750,775	\$750,775	\$750,655	\$1,919,530

Human Resources (Full-Time Equivalents (FTEs))

2015-16	2016-17	2017-18
4	4	4

Budgetary Planning Summary for Strategic Outcome(s) and Program(s) (dollars)

Strategic Outcome(s), Program(s) and Internal Services	2012-13 Expenditures	2013-14 Expenditures	2014-15 Forecast Spending	2015-16 Main Estimates	2015-16 Planned Spending	2016-17 Planned Spending	2017-18 Planned Spending
Strategic Outcome 1: The planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline Project is efficient and expeditious while ensuring environmental protection and social and economic benefits for Canadians.							
Oversee the planning and construction of the Canadian portion of the Alaska Highway Natural Gas Pipeline Project.	\$1,920,142	\$1,172,624	\$542,679	\$750,775	\$750,775	\$750,655	\$1,919,530
Subtotal	\$1,920,142	\$1,172,624	\$542,679	\$750,775	\$750,775	\$750,655	\$1,919,530
Internal Services Subtotal	-	-	-	-	-	-	-
Total	\$1,920,142	\$1,172,624	\$542,679	\$750,775	\$750,775	\$750,655	\$1,919,530

To align with the reduction in the AHGP project activities for the foreseeable future, the Agency will scale down its operations while continuing to fulfill Canada's obligations as set out in the Act. During this time of reduced activities, the Agency will remain ready to respond to any incoming inquiries from other government agencies, Aboriginal groups and the public. The increased planned expenditure level for 2017-18 reflects the increased funding allocated to the Agency as a result of the 2011 federal budget. The planned spending in 2017-18 will be re-assessed in 2015-16 and adjusted as necessary.

Alignment of Spending with the Whole-of-Government Framework

Alignment of 2015-16 Planned Spending with the Whole-of-Government Framework ⁱⁱ (dollars)

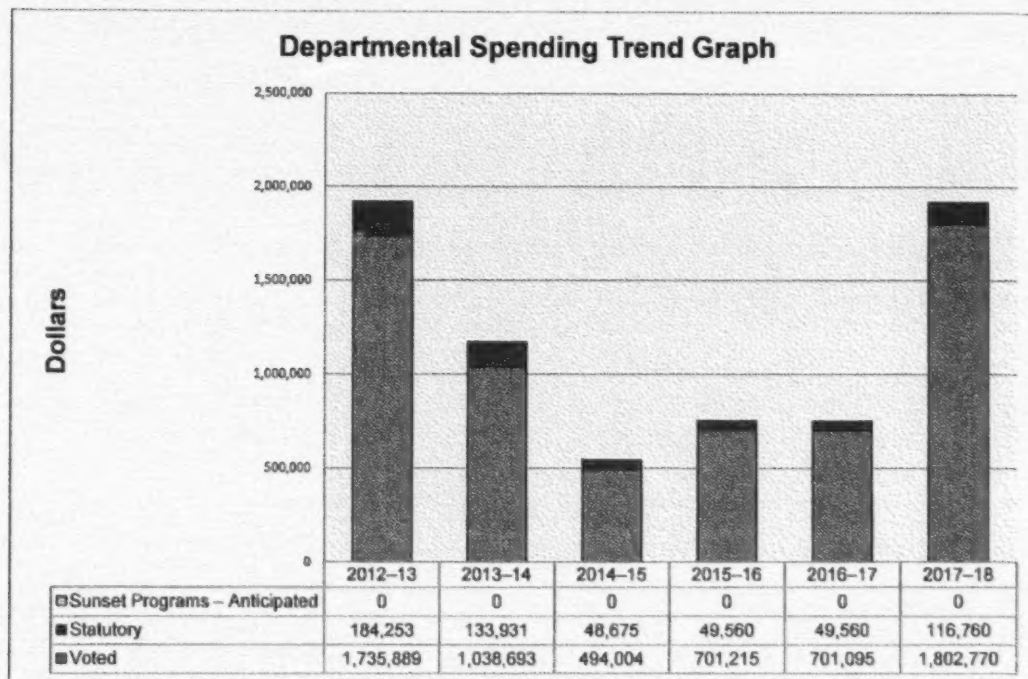
Strategic Outcome	Program	Spending Area	Government of Canada Outcome	2015-16 Planned Spending
The planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline Project is efficient and expeditious while ensuring environmental protection and social and economic benefits for Canadians.	Oversee the planning and construction of the Canadian portion of the Alaska Highway Natural Gas Pipeline Project.	Economic Affairs	Strong economic growth	\$750,775

Total Spending by Spending Area (dollars)

Spending Area	Total Planned Spending
Economic Affairs	\$750,755
Social Affairs	-
International Affairs	-
Government Affairs	-

Departmental Spending Trend

Departmental Spending Trend Graph



To align with the reduction in the AHGP project activities for the foreseeable future, the Agency will scale down its operations while continuing to fulfill Canada's obligations as set out in the Act. During this time of reduced activities, the Agency will remain ready to respond to any incoming inquiries from other government agencies, Aboriginal groups and the public. The increased planned expenditure level for 2017-18 reflects the increased funding allocated to the Agency as a result of the 2011 federal budget. The planned spending in 2017-18 will be re-assessed in 2015-16 and adjusted as necessary.

Estimates by Vote

For information on the NPA's organizational appropriations, please consult the *2015-16 Main Estimates*ⁱⁱⁱ on the Treasury Board of Canada Secretariat website.

Section II: Analysis of Program(s) by Strategic Outcome

Strategic Outcome: The planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline Project is efficient and expeditious while ensuring environmental protection and social and economic benefits for Canadians.

Performance Measurement

Performance Indicator	Target	Date to be Achieved
The Agency will respond to company and public correspondence within 15 business days of receipt.	80%	Annual basis

Program:

Oversee the planning and construction of the Canadian portion of the Alaska Highway Natural Gas Pipeline Project.

Description:

Regulate the planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline.

Budgetary Financial Resources (dollars)

2015-16 Main Estimates	2015-16 Planned Spending	2016-17 Planned Spending	2017-18 Planned Spending
\$750,775	\$750,775	\$750,655	\$1,919,530

Human Resources (FTEs)

2015-16	2016-17	2017-18
4	4	4

Performance Measurement

Performance Measurement

Expected Results	Performance Indicator	Targets	Date to Be Achieved
The Agency will maintain the appropriate level of preparation activities for a regulatory framework which accommodates modern environmental practices, takes into account the rights of Aboriginal people, and considers the interest of provincial-territorial governments, so as to remain prepared to effectively regulate and facilitate the planning and construction of the pipeline should the project proceed.	The Agency will respond to company and public correspondence within 15 business days of receipt.	80%	Annual basis

Planning Highlights

The Agency plans to maintain its state of federal readiness in regards to the Alaska Highway Gas Pipeline. This will primarily include the administration of obligations under the Act and the Agreement.

Internal Services

Description:

Internal Services are groups of related activities and resources that are administered to support the needs of programs and other corporate obligations of an organization. Internal services include only those activities and resources that apply across an organization, and not those provided to a specific program. The groups of activities are: Management and Oversight Services; Communications Services; Legal Services; Human Resources Management Services; Financial Management Services; Information Management Services; Information Technology Services; Real Property Services; Materiel Services; and Acquisition Services.

Budgetary Financial Resources (dollars)

2015-16 Main Estimates	2015-16 Planned Spending	2016-17 Planned Spending	2017-18 Planned Spending
-	-	-	-

Human Resources (FTEs)

2015-16	2016-17	2017-18
-	-	-

Planning Highlights

The Agency has a single strategic outcome and a single program. As a small and separate federal entity, the Agency has a service agreement with Natural Resources Canada and expenditures through this agreement are recorded as program spending.

Section III: Supplementary Information

Future-Oriented Statement of Operations

The future-oriented condensed statement of operations provides a general overview of the NPA's operations. The forecast of financial information on expenses and revenues is prepared on an accrual accounting basis to strengthen accountability and to improve transparency and financial management.

Because the future-oriented condensed statement of operations is prepared on an accrual accounting basis, and the forecast and planned spending amounts presented in other sections of the Report on Plans and Priorities are prepared on an expenditure basis, amounts differ.

A more detailed future-oriented statement of operations and associated notes, including a reconciliation of the net cost of operations to the requested authorities, can be found on the NPA's website ^{iv}.

Future-Oriented Condensed Statement of Operations For the Year Ended March 31 (dollars)

Financial information	2014-15 Estimated Results	2015-16 Planned Results	Difference
Total expenses	549,560	756,870	207,310
Total revenues	0	0	0
Net cost of operations	549,560	756,870	207,310

To align with the reduction in the AHGP project activities for the foreseeable future, the Agency will scale down its operations while continuing to fulfill Canada's obligations as set out in the Act. During this time of reduced activities, the Agency will remain ready to respond to any incoming inquiries from other government agencies, Aboriginal groups and the public.

Supplementary Information Tables

The supplementary information table listed in the *2015–16 Report on Plans and Priorities* can be found on the *NPA's website*^{iv}:

- Disclosure of Transfer Payment Programs Under \$5 Million.

Tax Expenditures and Evaluations

The tax system can be used to achieve public policy objectives through the application of special measures such as low tax rates, exemptions, deductions, deferrals and credits. The Department of Finance Canada publishes cost estimates and projections for these measures annually in the *Tax Expenditures and Evaluations*^v publication. The tax measures presented in the *Tax Expenditures and Evaluations* publication are the responsibility of the Minister of Finance.

Section IV: Organizational Contact Information

The Agency has been designated as a department for the purposes of the *Financial Administration Act*. The Agency currently reports to Parliament through the Minister of Natural Resources Canada, who is responsible for the management and direction of the Agency. The Agency has one senior officer, a Commissioner, appointed by the Governor in Council. The Commissioner is currently the Deputy Minister of Natural Resources Canada. The Agency's organizational structure is defined by the Act.

The Agency's contact information is as follows:

Northern Pipeline Agency

412 - 615 Booth Street
Ottawa, ON K1A 0E9
(613) 995-1150

www.npa.gc.ca

Appendix: Definitions

appropriation: Any authority of Parliament to pay money out of the Consolidated Revenue Fund.

budgetary expenditures: Include operating and capital expenditures; transfer payments to other levels of government, organizations or individuals; and payments to Crown corporations.

Departmental Performance Report: Reports on an appropriated organization's actual accomplishments against the plans, priorities and expected results set out in the corresponding Reports on Plans and Priorities. These reports are tabled in Parliament in the fall.

full-time equivalent: Is a measure of the extent to which an employee represents a full person-year charge against a departmental budget. Full-time equivalents are calculated as a ratio of assigned hours of work to scheduled hours of work. Scheduled hours of work are set out in collective agreements.

Government of Canada outcomes: A set of 16 high-level objectives defined for the government as a whole, grouped in four spending areas: economic affairs, social affairs, international affairs and government affairs.

Management, Resources and Results Structure: A comprehensive framework that consists of an organization's inventory of programs, resources, results, performance indicators and governance information. Programs and results are depicted in their hierarchical relationship to each other and to the Strategic Outcome(s) to which they contribute. The Management, Resources and Results Structure is developed from the Program Alignment Architecture.

non-budgetary expenditures: Include net outlays and receipts related to loans, investments and advances, which change the composition of the financial assets of the Government of Canada.

performance: What an organization did with its resources to achieve its results, how well those results compare to what the organization intended to achieve and how well lessons learned have been identified.

performance indicator: A qualitative or quantitative means of measuring an output or outcome, with the intention of gauging the performance of an organization, program, policy or initiative respecting expected results.

performance reporting: The process of communicating evidence-based performance information. Performance reporting supports decision making, accountability and transparency.

planned spending: For Reports on Plans and Priorities (RPPs) and Departmental Performance Reports (DPRs), planned spending refers to those amounts that receive Treasury Board approval by February 1. Therefore, planned spending may include amounts incremental to planned expenditures presented in the Main Estimates.

A department is expected to be aware of the authorities that it has sought and received. The determination of planned spending is a departmental responsibility, and departments must be able to defend the expenditure and accrual numbers presented in their RPPs and DPRs.

plans: The articulation of strategic choices, which provides information on how an organization intends to achieve its priorities and associated results. Generally a plan will explain the logic behind the strategies chosen and tend to focus on actions that lead up to the expected result.

priorities: Plans or projects that an organization has chosen to focus and report on during the planning period. Priorities represent the things that are most important or what must be done first to support the achievement of the desired Strategic Outcome(s).

program: A group of related resource inputs and activities that are managed to meet specific needs and to achieve intended results and that are treated as a budgetary unit.

Program Alignment Architecture: A structured inventory of an organization's programs depicting the hierarchical relationship between programs and the Strategic Outcome(s) to which they contribute.

Report on Plans and Priorities: Provides information on the plans and expected performance of appropriated organizations over a three-year period. These reports are tabled in Parliament each spring.

results: An external consequence attributed, in part, to an organization, policy, program or initiative. Results are not within the control of a single organization, policy, program or initiative; instead they are within the area of the organization's influence.

Strategic Outcome: A long-term and enduring benefit to Canadians that is linked to the organization's mandate, vision and core functions.

sunset program: A time-limited program that does not have an ongoing funding and policy authority. When the program is set to expire, a decision must be made whether to continue the program. In the case of a renewal, the decision specifies the scope, funding level and duration.

target: A measurable performance or success level that an organization, program or initiative plans to achieve within a specified time period. Targets can be either quantitative or qualitative.

whole-of-government framework: Maps the financial contributions of federal organizations receiving appropriations by aligning their Programs to a set of 16 government-wide, high-level outcome areas, grouped under four spending areas

Endnotes

- i. Northern Pipeline Act, <http://laws-lois.justice.gc.ca/eng/acts/N-26/index.html>
- ii. Whole-of-Government-Framework (<http://www.tbs-sct.gc.ca/ppg-cpr/frame-cadre-eng.aspx>)
- iii. 2015-16 Main Estimates, <http://www.tbs-sct.gc.ca/ems-sgd/esp-pbc/me-bpd-eng.asp>
- iv. Northern Pipeline Agency Website, <http://npa-apn.gc.ca>
- v. Tax Expenditures and Evaluations publication, <http://www.fin.gc.ca/purl/taxexp-eng.asp>